

Investment Advisory Committee Meeting

October 17, 2013

Members in Attendance:

Ed Leonard, Franklin County Treasurer
Don Brown, Designee for Commissioner John O'Grady
Zak Talarek, Designee for Commissioner Paula Brooks
Shawn Rieder, Designee for Clerk of Courts, Maryellen O'Shaughnessy
Ken Wilson, Designee for Commissioner Marilyn Brown

Absent

Guests in Attendance:

Dennis Yacobozzi, President, UACC
Kevin Klingel, Senior Vice President, UACC
Jim McCourt, Vice President, UACC
Emily Perkins, Investment & Cash Management Officer, FCT

Call to Order

Treasurer Leonard called the 2013 Third quarter meeting of the Franklin County Investment Advisory Committee (IAC) to order at 2:05 p.m.

Approval of Minutes

The first order of business was to approve the minutes from the July 25, 2013 meeting. Mr. Talarek moved to accept the minutes and Mr. Rieder seconded the motion. Minutes were approved.

Economic Outlook

Treasurer Leonard called upon Mr. Yacobozzi to discuss the economy. Mr. Yacobozzi reviewed the key points such as the unemployment rate, GDP growth, and the impact of Federal Reserve policy upon interest rates. In terms of the Treasury yield curve, yields in the 2 - 5 year area moved higher and the yield of overnight to one year maturities remained unchanged. Speculation that the Federal Reserve (Fed) would begin to "taper" bond purchases at the September 17 - 18 meeting caused the shift upward in yields. However, prices rebounded sharply after the central bank left interest rates and asset purchase plans unchanged at \$85 billion per month. Fed Chairman Bernanke warned that the inability of Congress to resolve the budget/debt ceiling issue would have serious consequences for financial markets and the U.S. economy. The Fed's decision if and when to reduce asset purchases remains "data dependent," but with the recent government shutdown expected to negatively impact fourth quarter growth, most analysts now expect the current level of stimulus to be maintained into early-2014.

While August employment gains were reported below market consensus, the national unemployment rate declined from 7.4% to 7.3% during the month. The drop in the headline unemployment rate is good news, but the labor force participation rate also continues to decline (63.2%).

Other economic data released during September was mixed, with no solid signs of a strengthening U.S. economy. August retail sales were weaker than expected, while durable goods orders did register a small increase of 0.1%. Additionally, July retail sales were revised higher, but July durable goods orders were revised even lower.

The yield of the current 2-year, 3-year, and 5-year U.S. Treasury Notes ended the quarter at 0.30%, 0.59%, and 1.35%, respectively.

Bond Proceeds Portfolio

Mr. Klingel reviewed the Bond Proceeds Quarterly Investment Portfolio and indicated that it was a fairly active quarter, as a result of new bond proceeds funds received in August. During the quarter, \$42 million was invested for the bond proceeds account, with the majority of these funds used to purchase high quality short-term commercial paper (G.E. Capital Corp. and Prudential Funding). These short commercial paper positions are matched against scheduled project expenditures, and provide higher yields than other short maturity investment alternatives. Mr. Klingel noted that the newly constructed bond proceeds portfolio has an average maturity of just over six months and yields approximately 20 basis points (0.20%), compared to STAR Ohio at 2 basis points (0.02%) and many U.S. government money-market funds at only 1 basis point (0.01%). Finally, the Committee discussed the final spend-down of remaining bond proceeds funds related to earlier projects, including ongoing reporting and disclosure requirements.

Liquid Portfolio

Ms. Perkins reported that cash balances during 3QTR13 earned about 11 basis points overall. As of September 30th, approximately \$83 million remains in the account, the majority invested in commercial paper earning 12 basis points. Status of the Third Quarter income was 4.4 million.

Future Meeting

With no further discussion, Treasurer Leonard set the next meeting date for January 23, 2014 and the June meeting will be held on the 19th. Mr. Talarek moved to adjourn the meeting and Mr. Wilson seconded the motion. The meeting was adjourned at 2:45 pm.

Voting Aye thereon:

Don L. Braun, designee

John O'Grady

Kenneth N. Wilson, Designee

Marilyn Brown

Paula Brooks, Designee

Paula Brooks

Maryellen O'Shaughnessy, DESIGNEE

Maryellen O'Shaughnessy

Edward J. Leonard

Voting Nay thereon:

John O'Grady

Marilyn Brown

Paula Brooks

Maryellen O'Shaughnessy

Edward J. Leonard